

Message Text

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ORIGIN EB-11

INFO OCT-01 ARA-11 EUR-25 ADP-00 AGR-20 SS-15 COME-00

CIAE-00 INR-10 NSAE-00 RSC-01 OMB-01 AF-10 L-03

TRSE-00 /108 R

DRAFTED BY EB/ ORF/ TRP: JJINGERSOLL: JB

5/7/73 EXT:23059

APPROVED BY EB/ ORF: JLKATZ

ARA/ NC: TETAYLOR

----- 011800

R 082316 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY BOGOTA

INFO AMEMBASSY LONDON

C O N F I D E N T I A L STATE 087675

E. O. 11652: GDS

TAGS: EGEN, CO

SUBJECT: COFFEE - COMMENTS OF ARTURO GOMEZ JARAMILLO

REF: BOGOTA 3627

1. DEPARTMENT HAS LONG BEEN AWARE COLOMBIAN DISSATISFAC-
TION WITH COFFEE DIVERSIFICATION FUND GOING BACK AS FAR
AS 1967-68 DETERMINED COLOMBIAN OPPOSITION TO ESTABLISH-
MENT OF FUND. QUICK DISSOLUTION OF FUND HAS APPEARED AS
PARAMOUNT QUESTION FOR COLOMBIA AND TO AVOID ANYTHING WHICH
WOULD COMPLICATE DISSOLUTION, COLOMBIA WAS INSTRUMENTAL IN
PREVENTING FUND' S ACCEPTANCE VOLUNTARY CONTRIBUTIONS FROM
U. S. AND OTHER IMPORTING MEMBERS OF ICO. NONETHELESS,
GOMEZ JARAMILLO' S VERSION OF RECENT COFFEE COUNCIL SESSIONS
IS DISTORTED AND, IN SOME RESPECTS ABSOLUTELY UNTRUE.

2. SINCE 1968 ESTABLISHMENT OF DIVERSIFICATION FUND
COLOMBIA HAS CONTRIBUTED (ACCORDING ICO REPORTS)
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\$11,275,437 IN LOCAL CURRENCY (PORTION A). A FURTHER CON-
TRIBUTION OF NEARLY \$ 3 MILLION FOR THE 1972/73 COFFEE YEAR
HAS NOT YET BEEN PAID BY COLOMBIA. BUT THE FUND HAS
ENTERED INTO COMMITMENTS UNDER INTEREST FREE LOAN CONTRACTS

TO DISBURSE THE ENTIRE AMOUNT OF COLOMBIA'S PORTION A CONTRIBUTIONS. THE EXECUTING AGENCY FOR THESE LOANS IS THE NATIONAL FEDERATION OF COFFEE GROWERS. THUS, SINCE DISBURSEMENTS UNDER THESE LOAN CONTRACTS MAY CONTINUE UP

UNTIL SEPT. 30, 1973, THERE NEED BE NO INTERRUPTION OF THE FLOW OF THESE FUNDS BACK TO COLOMBIA. AND, UNDER THE FUND STATUTES, THE FUND MUST, AS OF SEPT. 30, 1973, CEDE FREE OF CHARGE TO A COLOMBIAN DEVELOPMENT INSTITUTION AGREED UPON BY COLOMBIA AND THE FUND, ALL CREDITS THAT THE FUND HAS IN ITS FAVOR WHICH ARISE FROM LOANS MADE TO COLOMBIA FROM PORTION A OF COLOMBIA'S CONTRIBUTION. SO, ASSUMING COLOMBIA DOES NOT WISH TO SIMPLY ABANDON THE PROJECTS FOR WHICH FINANCING WAS OBTAINED FROM THE FUND, IT IS DIFFICULT TO SEE ANY ADVANTAGE IN ACCELERATED DISOLUTION OF THE FUND OTHER THAN THE BOOKKEEPING INsofar AS PORTION A IS CONCERNED.

3. IN ADDITION TO THE PORTION A SUMS MENTIONED ABOVE, COLOMBIA HAS CONTRIBUTED \$ 2,891,137 IN CONVERTIBLE CURRENCY (PORTION C) AND THIS AMOUNT REMAINS UNCOMMITTED IN THE HANDS OF THE FUND (EARNING INTEREST WHICH WILL EVENTUALLY REVERT TO COLOMBIA). IT IS PRESUMABLY THIS SUM WHICH SO CONCERNS GOMEZ JARAMILLO AND THE EXPEDITED RETURN OF WHICH IS SOUGHT BY COLOMBIA. BECAUSE OF THE TIME WHICH WOULD BE NEEDED TO COMPLETE ALL PAPERWORK AND RELATED ARRANGEMENTS, EVEN IF IT WERE AGREED TO COMMENCE LIQUIDATION OF THE FUND IMMEDIATELY, IT IS UNLIKELY THAT ANY CASH WOULD BE TRANSFERRED TO COLOMBIA WITHIN THE NEXT COUPLE OF MONTHS (I. E. ONLY ABOUT THREE MONTHS EARLIER THAN OCTOBER 1 AS PRESENTLY PROVIDED.)

4. DESPITE THE APPEARANCE OF PRODUCER SOLIDARITY IN FAVOR OF ACCELERATED LIQUIDATION OF THE FUND, OTHER PRODUCER DELEGATES INFORMED THE USDEL PRIVATELY THAT THEY WERE NOT REPEAT NOT AS ENTHUSIASTIC AS COLOMBIA. ONE MAJOR AFRICAN COUNTRY DELEGATE STATED HIS VIEW THAT
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COLOMBIA WAS MAKING A MISTAKE IN STIRRING UP SO MUCH DISSENSION MERELY IN THE INTEREST OF TRYING TO GET A COUPLE OF MILLION DOLLARS A FEW MONTHS SOONER. BRAZILIAN DEL (WITH SOME \$ 37.5 MILLION UNCOMMITTED FUNDS INVOLVED) SEEMED CLEARLY LESS INTERESTED BUT ANXIOUS TO PRESERVE PUBLIC SOLIDARITY WITH COLOMBIA.

5. COLOMBIAN INTENTION PRESS FOR AMENDMENT TO DIVERSIFICATION FUND STATUTES (REQUIRING DISTRIBUTED TWO THIRDS MAJORITY VOTE) WAS WIDELY KNOWN EARLY IN APRIL 5-14 PERIOD BOARD AND COUNCIL SESSIONS. IN CORDIAL PRIVATE DISCUSSION WITH GOMEZ JARAMILLO, EARLY THIS PERIOD, US DEL EMPHASIZED OUR CONCERN THAT LIQUIDATION OF FUND BE

ORDERLY AND CAREFUL TO AVOID LEAVING DEBTS BEHIND. U. S. DEL ALSO CALLED GOMEZ JARAMILLO'S ATTENTION TO CERTAINTY THAT IF PRODUCERS SOUGHT COUNCIL APPROVAL FOR AMENDMENT OF FUND STATUTES, SOME CONSUMERS WOULD INSIST, AS

QUID PRO QUO, THAT COUNCIL ALSO IMMEDIATELY RELIEVE CONSUMERS OF BURDEN OF CONTINUED ENFORCEMENT ICO CONTROLS MEASURES THROUGH SEPTEMBER 30. GOMEZ RESPONDED THAT THIS NO PROBLEM FOR HIM THOUGH SOME OTHER PRODUCERS MIGHT BALK.

6. AT LAST MINUTE IN BOARD MEETING APRIL 13 COLOMBIAN DEL ANNOUNCED INTENTION PROPOSE RESOLUTION TO DELEGATE TO EXECUTIVE BOARD ICO COUNCIL POWERS LIQUIDATE DIVERSIFICATION FUND. IN VIEW LATE HOUR, ALL AGREED THIS PROPOSAL BE INTRODUCED DIRECTLY IN COUNCIL AND BOARD TOOK NO SUBSTANTIVE DECISION ALTHOUGH U. S. AND GERMAN DELS VOICED RESERVATIONS.

7. IN CLOSING MINUTES OF 22 ND COUNCIL APRIL 14, COLOMBIAN DEL INTRODUCED DRAFT RESOLUTION TO DELEGATE POWERS RE FUND LIQUIDATION TO BOARD. U. S. DEL, IN FRIENDLY APPROACH, INFORMED GOMEZ JARAMILLO THAT PROPOSAL BY ITSELF NOT REPEAT NOT ACCEPTABLE. WE KNEW OF FIRM OPPOSITION FRG AND CANADA (AMONG OTHERS) IN ADDITION OUR OWN RESERVATIONS. BELGIAN DEL PROPOSED REFERRING DRAFT RESOLUTION TO EXECUTIVE BOARD FOR CAREFUL CONSIDERATION AND SUBSEQUENT POSTAL BALLOT BY COUNCIL. THIS PROPOSAL OPPOSED BY ALL PRODUCERS PRESENT EXCEPT FOR ABSTENTIONS ETHIOPIA, GHANA, RWANDA AND CONFIDENTIAL

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SIERRA LEONE. ON CONSUMER SIDE IT HAD SUPPORT OF BELGIUM, CANADA, FRG AND U. S., WITH ALL OTHER CONSUMERS ABSENT OR ABSTAINING. THEREUPON, COLOMBIAN DRAFT RESOLUTION PUT TO VOTE. WITH GHANA AND JAMAICA ABSTAINING, ALL PRODUCERS PRESENT (IN OBVIOUS DEMONSTRATION OF SOLIDARITY) SUPPORTED. ON CONSUMER SIDE, FRANCE ALONE SUPPORTED. CANADA, FRG AND U. S. OPPOSED AND ALL OTHER CONSUMERS PRESENT ABSTAINED. WITH MOVE THUS FRUSTRATED, BRAZILIAN DEL CALLED FOR SPECIAL COUNCIL SESSION (23 RD) WHICH EVENTUALLY SET FOR APRIL 24 TH.

8. AT OPENING OF 23 RD COUNCIL SESSION ON APRIL 24, DRAFT RESOLUTION ON AMENDMENT OF FUND STATUTES TO BEGIN LIQUIDATION MAY 1, 1973 TABLED IN NAME BRAZIL, COLOMBIA, GUATEMALA, OAMCAF AND PORTUGAL. BRAZIL WITHDREW NAME FROM LIST OF SPONSORS " FOR TECHNICAL REASONS". SUBSEQUENTLY, SMALL CONTACT GROUP (BRAZIL, COLOMBIA AND GUATEMALA, CANADA, FRG AND U. S.) MET UNTIL TWO A. M. FOLLOWING MORNING TO DISCUSS IMPROVEMENTS (UNANIMOUSLY ACCEPTED) TO DRAFT RESOLUTION ON FUND AND TO CLARIFY CONSUMER INTENTION INSIST ON SUSPENSION OF CONTROLS IN EXCHANGE FOR SUPPORTING ACCELERATION OF FUND LIQUIDATION. ALL THREE PRODUCER

MEMBERS WERE ADMITTEDLY AGREEABLE TO PACKAGE DEAL BUT DECLINED MAKE FIRM COMMITMENT.

9. PRODUCERS MET THROUGHOUT DAY APRIL 25 TO DEBATE

" PACKAGE DEAL", FIRST AS FUND ASSEMBLY AND THEN AS PRODUCER CAUCUS. IN THESE DISCUSSIONS, SEVERAL IMPORTANT AFRICAN DELEGATIONS BALKED AT IDEA OF SURRENDERING CONTROLS IN EXCHANGE FOR RAPID LIQUIDATION OF FUND. DRAFT RESOLUTION ON FUND LIQUIDATION, AS REVISED BY CONTACT GROUP, WAS HOWEVER ENDORSED BY FUND ASSEMBLY (IN WHICH BRAZIL, COLOMBIA, GUATEMALA, OAMCAF AND PORTUGAL HOLD 72 PERCENT OF VOTES). IN EFFECT, PRODUCERS REJECTED " PACKAGE DEAL". BUT PACKAGE DEAL (WITH SUSPENSION OF CON AND MONETARY REFORM WERE OF PARTICULAR INTEREST, AS WELL AS FUTURE ROLE OF JAPAN. AS BECAME EVIDENT EARLY IN VISIT, NORGAARD SURPRISED AND IMPRESSED WITH IMPORTANCE AGRICULTURE TO U. S. ECONOMY AND FOREIGN TRADE. CONFESSING THAT HE HAD TAUGHT UNIVERSITY STUDENTS THAT IMPORTANCE OF AGRICULTURE INEVITABLY DECLINED AS SOCIETIES INDUSTRIALIZED, NORGAARD SAID THAT CERTAINLY NOT THE CASE WITH THE U. S. 3. RE MONETARY REFORM, NORGAARD SAID HE PLEASED DISCOVER U. S. FAR MORE FLEXIBLE THAN HE HAD PREVIOUSLY UNDERSTOOD; PARTICULARLY POINT THAT INDICATORS AND QTE TRIGGER POINTS END QTE NOT TIED AUTOMATICALLY TO PARITY CHANGES, BUT RATHER POINTED TO NEED FOR CORRECTIVE ACTION, WHICH MIGHT BE UNILATERAL -- UNTIED FOREIGN AID, FISCAL RESTRAINT, ETC.

4. HAVING JUST VISITED JAPAN, NORGAARD TOLD US HE UNDERSTOOD NEED BRING JAPANESE MORE FULLY INTO INTERNATIONAL TRADING SYSTEM SINCE THEY NOW LIBERALIZING FASTER THAN EUROPEANS IMAGINED. JAPANESE, HE SAID, REALIZE THEIR TRADE BARRIERS, NTB'S IN PARTICULAR, MUST COME DOWN. (FYI: NORGAARD DID NOT MENTION SECRETARY ROGERS' CRITICISM OF DANISH DEFENSE REORGANIZATION.)

5. TO BEST OUR KNOWLEDGE, NORGAARD DID NOT REPEAT NOT RAISE QUESTION OF POSSIBLE VISITS BY FOREIGN MINISTER ANDERSEN OR DEFENSE MINISTER OLESEN.

6. SEPTTEL FOLLOWS ON DISCUSSIONS BETWEEN SENIOR USG OFFICIALS AND NORGAARD, JENS CHRISTENSEN AND OTHER MEMBERS DANISH PARTY. ROGERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 10 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 08 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE087675
Document Source: ADS
Document Unique ID: 00
Drafter: EB/ ORF/ TRP: JJINGERSOLL: JB
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730560/abqcemmt.tel
Line Count: 208
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: BOGOTA 3627
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 03 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Aug-2001 by boyleja>; APPROVED <22 FEB 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> mcm 980105
Subject: COFFEE - COMMENTS OF ARTURO GOMEZ JARAMILLO
TAGS: EGEN, CO, EGEN
To: BOGOTA INFO LONDON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005